wir839 - Financial Statement Analysis

Module label: Financial Statement Analysis
Module code: wir839
Credit points: 6.0 KP
Workload: 180 h

Used in course of study:
- Master of Education Programme (Vocational and Business Education) Economics and Business Administration > Mastermodule
- Master's Programme Business Administration, Economics and Law > Schwerpunkt "Auditing, Finance, Taxation" (AFT)
- Master's Programme Business Informatics > Module der Wirtschafts- und Rechtswissenschaften (Master)
- Master's Programme Sustainability Economics and Management > Additional Modules

Contact person:
Module responsibility
- Kerstin Lopatta

Authorized examiners
- Die im Modul Lehrenden

Entry requirements:
none

Skills to be acquired in this module:
By the end of the course students should have answers to the following questions:
- How are fundamental values (or “intrinsic values”) estimated?
- How are business strategies analyzed in order to understand the value they create?
- What business activities determine value?
- How is “value created for shareholders” identified?
- How does one pull apart the financial statements to get at the relevant information for valuing equities?
- How does ratio analysis help in valuation?
- How does profitability tie into valuation?
- What is growth? How does one analyze growth? How does one value a growth firm?
- How does one analyze the quality of financial reports?
- How does one deal with the accounting methods used in financial statements?
- How is financial analysis developed for strategy and planning?
- What determines a firm's P/E ratio? How does one calculate what the P/E should be?
- What determines a firm's market-to-book (P/B) ratio? How does one calculate what the P/B should be?
- How does one evaluate risk? For equity? For debt?
- How does one evaluate an equity research report?
- How does one trade on fundamental information?

Module contents:
With a stock market bubble and a financial crisis in our recent history, there have been increasing calls to “return to fundamentals.” This is a course on fundamental analysis. The primary emphasis is on equity (share) valuation, with a focus on developing and applying methods for valuing firms using financial statement analysis.

The course has a very practical focus. The methods of fundamental analysis will be examined in detail and applied in cases and projects involving listed companies. Topics include models of shareholder value, a comparison of accrual accounting and discounted cash flow approaches to valuation, the analysis of profitability, growth and valuation generation in a firm, diagnosing accounting quality, forecasting earnings and cash flows, pro-forma analysis for strategy and planning, and the determination of price/earnings (P/E) and market-to-book (P/B) ratios.

The course does not assume “market efficiency”. Rather, it develops the techniques for challenging traded prices in order to assess whether investments are appropriately priced. It adopts the philosophy that one of the risks in investing is the risk of paying too much. The course is one for the active investor.

Most importantly, we learn how to handle accounting and financial reports in valuation. We see that valuation is really a matter of appropriate accounting for value. The course combines accounting principles and investment principles to answer the question: How do I account for value so that I can challenge stock prices with some confidence?

The course will be taught from the perspective of designing techniques to be used in an (independent) equity research department or firm. Accordingly, the material is pertinent to the security analyst – particularly the equity analyst – who must issue a buy, hold or sell recommendations on stocks. However, much of the material covered in the course is also relevant to the corporate financial analyst for evaluating acquisitions, restructurings and other investments, and

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for calculating the value generated by strategic scenarios. By the end of the course, the student should feel competent in writing a thorough, credible equity research report or investment analysis that meets the highest standards of professionalism.

The course is of interest to those contemplating careers in investment banking (particularly in equity research), security analysis, consulting, public accounting, and corporate finance. And it will also help with personal investing.

Reader’s advisory

Links
http://www.uni-oldenburg.de/accounting

Language of instruction
English

Duration (semesters)
1 Semester

Module frequency
jährlich

Module capacity
unlimited

Module level
SPM (Schwerpunktmodul)

Modular
Pflicht/Wahlpflicht *

Lern-/Lehrform / Type of program

Vorkenntnisse / Previous knowledge

Examination
Time of examination
during the semester
Type of examination
portfolio

Final exam of module

Course type
Comment
SWS
Frequency
Workload attendance
Lecture
2.00
28 h
Exercises
2.00
28 h

Total time of attendance for the module
56 h